

Message Text

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ACTION AF-10

INFO OCT-01 ISO-00 EB-08 COME-00 TRSE-00 OMB-01 XMB-02

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FM AMEMBASSY LIBREVILLE

TO SECSTATE WASHDC 1294

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E.O. 11652: N/A

TAGS: EFIN, GB

SUBJECT: CITIBANK SYNDICATED LOAN

REF: (A) LIBREVILLE 1686 (B) STATE 164382

1. AMBASSADOR CHECK OUT INFO STATE REFTEL WITH LIBREVILLE CITIBANK DIRECTOR CHAKRAVARTTY JUNE 30. AS WE UNDERSTAND IT, BASIC INFO IS CORRECT AS FAR AS IT GOES, BUT PICTURE IS MORE COMPLICATED THAN THAT.

2. AT PRESENT TIME SYNCIATED LOAN IS UNDERWRITTEN FOR DOLS 80 MILLION. CHASE MANHATTAN HAS OPTED OUT, NOT NECESSARILY FOR REASONS STATED PARA 3 STATE REFTEL; FIRST NATIONAL OF BOSTON HAS SAID YES, NO AND NOW MAYBE, AND TOKYO BANKS HAVE SAID NO, BUT NOT FIRMLY. LOAN HAS NOT YET BEEN LET OUT FOR GENERAL SYNDICATION AND CHAKRAVARTTY STILL BELIEVES THAT THAT WILL YIELD ANOTHER DOLS 10 MILLION. (FIRST NATIONAL OF BOSTON HAS NOW SPECIFICALLY REQUESTED TO BE INCLUDED ON LIST OF BANKS APPROACHED FOR GENERAL SYNDICATION.) ACUTAL TOTAL AMOUNT OF LOAN IS THEREFORE STILL NOT KNOWN AND THERE IS THEREFORE NOTHING AT THIS POINT FOR GOG TO REACT TO.

3. COMPLICATION INVOLVES GOG COMMITMENT UNDER IMF PLAN THAT GOG ARRANGE WITH CREDITOR CONTRACTORS TO PAY APPROXIMATELY
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THIRTY PERCENT OF THEIR DEBT THIS YEAR AND REMAINDER OVER NEXT 8-10 YEARS. BANKS SYNDICATED WITH CITIBANK ARE NOW INSISTING THAT GOG PRODUCE SATISFACTORY EVIDENCE BEFORE SEPT 30 THAT GOG HAS IN FACT MADE SUCH AN ARRANGEMENT WITH CONTRACTORS, FIALING WHICH THEY ARE NOT PREPARED TO DISBURSE FUNDS FROM LAON (CITIBANK DOES NOT AGREE, BUT CANNOT ACT ALONE). STIPULATION WILL ALSO PREVENT CITIBANK FROM PLACING LAON FOR GENERAL

SYNDICATION. GABONESE HAVE MADE NO SUCH ARRANGMENTS YET. THERE WILL THEREFORE BE MEETING IN PARIS JULY 5 TO INCLUDE REPS FROM SYNDICATE AND GOG, AT WHICH TIME GOG WILL ATTEMPT PERSUADE SYNDICATE THERE NO NEED FOR CONCERN. CHAKRAVARTTY BELIEVES THEY WILL FAIL, AND THAT GOG WILL THEN HAVE TO COME TO GRIPS WITH 30 PERCENT PROBLEM. CONTRACTORS NEED NOT ACUTALLY BE PAID NOW TO SATISFY BANKS; WHAT BANKS REQUIRE IS EVIDENCE OF SATISFACTORY ARRANGMENT. MEANWHILE FRENCH LOAN IS "TIED" TO CITIBANK LOAN IN THAT FRENCH WILL NOT RELEASE FUNDS UNTIL CITIBANK SYNDICATE IS SET (SINCE FRENCH LOAN IS PRINCIPALLY DESIGNED TO PAY CONTRACTORS SOMETHING, IT MANIFEST THAT GOG WOULD NOT HAVE FUNDS NOW TO ACTUALLY PAY CONTRACTORS IN ANY CASE).

4. COMMENT: CHAKRAVARTTY MAY BE SOMEWHAT OPTIMISTIC ABOUT HOW MUCH LOAN WILL ACTUALLY BE IN FINAL ANALYSIS, BUT AS WE UNDERSTAND IT, THERE STILL SOME WAY TO GO BEFORE GOG IS FACED WITH BELT-TIGHTENING MEASURES AS RSSULT OF LOAN. MEANWHILE GOG MUST EITHER SATISFY BANKS THAT THEY NEED HAVE NO CONCERN OVER 30 PERCENT ARRANGEMENTS WITH CONTRACTORS, OR THEY MUST GO AHEAD AND REACH SUCH AGREEMENTS WITH THEM. REASONS ADVANCED FOR CHASE MANHATTEN'S DECISION OPT OUT MAY OR MAY NOT BE REAL, ACCORDING CHAKRAVARTTY, WHO BELIEVES THERE IS STRONG ELEMENT OF IN-HOUSE BANKING POLICIES INVOLVED. IN CASE OF JAPANESE, IT APPEARS GOJ HAD SUGGESTED SOME TIME AGO THAT JAPANESE BANKS REFRAIN FROM LOANS TO GABON. JAPANESE LIMITED OFFICIAL USE

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SINCE THEN ARE NOT WELL INFORMED ABOUT EVENTS, INCLUDING GOG'S OWN AUSTERITY MEASURES. THEY NOW BECOMING EDUCATED, BUT PROBABILITY IS STILL THAT THEY WILL STAY OUT. TIENKEN

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